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MATTHIAS W. BALDWIN, FOUNDER
1831

ANNUAL REPORT
1940

THE
BALDWIN LOCOMOTIVE WORKS
CONSOLIDATED

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THIRTIETH ANNUAL REPORT

**THE
BALDWIN LOCOMOTIVE WORKS**
PHILADELPHIA, PA.



STANDARD STEEL WORKS DIVISION
BALDWIN SOUTHWARK DIVISION
CRAMP BRASS AND IRON FOUNDRIES DIVISION
BALDWIN DE LA VERGNE SALES CORPORATION
THE PELTON WATER WHEEL COMPANY
THE WHITCOMB LOCOMOTIVE COMPANY
THE MIDVALE COMPANY

December 31, 1940

THE BALDWIN LOCOMOTIVE WORKS

Incorporated under the Laws of the State of Pennsylvania

VOTING TRUSTEES

WILLIAM L. BATT
ARNOLD BERNHARD

ROBERT K. CASSATT
THOMAS S. GATES

PHILIP C. STAPLES

DIRECTORS

ARNOLD BERNHARD
CHARLES E. BRINLEY
JOHN W. CONVERSE
JOSEPH N. EWING
HARRY L. FREVERT
WILLIAM H. HARMAN
EDWARD HOPKINSON, JR.
CONRAD N. LAUER
JEROME PRESTON
CHARLES H. SCHLACKS
ROBERT C. SHIELDS
CHARLES L. STILLMAN
WILLIAM H. WINTERROWD

New York
Chestnut Hill, Pa.
Rosemont, Pa.
Valley Forge, Pa.
Philadelphia
Merion, Pa.
Chestnut Hill, Pa.
Penlynn, Pa.
Boston
Bryn Mawr, Pa.
Detroit
New York
Villanova, Pa.

EXECUTIVE COMMITTEE

CONRAD N. LAUER, Chairman

ARNOLD BERNHARD
CHARLES E. BRINLEY

HARRY L. FREVERT
EDWARD HOPKINSON, JR.

ROBERT C. SHIELDS

OFFICERS

CHARLES E. BRINLEY
WILLIAM H. HARMAN
WILLIAM H. WINTERROWD
CHARLES E. ACKER
CARLOS F. NOYES

President
Vice-President in Charge of Sales
Vice-President in Charge of Operations
Secretary and Treasurer
Comptroller

GENERAL COUNSEL

MORGAN, LEWIS & BOCKIUS
Philadelphia

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

TRANSFER AGENTS

Common Stock, \$13 Par Value
Voting Trust Certificates Representing Same

IN PHILADELPHIA:

Fidelity-Philadelphia Trust Company
135 South Broad Street

IN NEW YORK:

Bankers Trust Company, 16 Wall Street

Preferred Stock, 7% Cumulative, \$30 Par Value
Warrants for the Purchase of \$13 Par Value Common Stock

IN PHILADELPHIA:

Drexel & Co., 15th and Walnut Streets

IN NEW YORK:

J. P. Morgan & Co. Incorporated, 23 Wall Street

REGISTRARS

Preferred Stock, 7% Cumulative, \$30 Par Value

Common Stock, \$13 Par Value
Voting Trust Certificates Representing Same

IN PHILADELPHIA:

The Pennsylvania Company for Insurances on Lives and Granting Annuities
15th and Chestnut Streets

IN NEW YORK:

Guaranty Trust Company of New York
140 Broadway

TO THE STOCKHOLDERS:

During the year 1940, your Company's business showed a definite improvement as compared with the year 1939. The value of consolidated shipments (1940) amounted to \$51,102,729, a 62.4% increase over the value of shipments of the previous twelve months. In respect to new business booked by your Company and its subsidiaries, the gain in 1940 was far greater, and at the close of the year the backlog of unfilled orders stood at the unusual total of \$153,000,000. The amount of The Midvale Company's orders included in this backlog was \$42,000,000. It should be realized, however, that many of these orders will be completed and shipped only over a considerable period of time and for this reason a comparison of the present backlog with backlogs of previous years might be misleading as to the expected volume of near term shipments.

It is hardly necessary to explain to our stockholders that this extraordinary surge of new business must be attributed chiefly to the Company's participation in the national defense program and that a considerable part of this volume is made up of orders for material required for the equipment of the country's armed forces. It should be pointed out also that, except in the case of The Midvale Company, these articles of war are things which this Company does not normally make, and for the manufacture of which in any considerable quantity, it was largely unprepared and unequipped. Military tanks, for which your Company received a very large order, are, for example, a new product for the construction of which not much more than the buildings were ready and available. To prepare to produce these articles rapidly and in the required number, it was necessary to lay out and plan in detail all the processes of production, to select and order for future installation a large number of machine tools (in this instance to be leased from the Defense Plant Corporation) and to employ and train a considerable and varied personnel. The Baldwin Locomotive Works, like other companies similarly engaged, is making every effort to press forward in this new work and to bring it to a successful completion with the least possible delay, but it is self-evident that for such a program months of time for preparation

are required. For this reason it will be well past midyear 1941 before substantially increased shipments of war material can be realized.

Because of the unhappy situation abroad, the year 1940 has been full of anxieties and uncertainties, and in almost every line of business endeavor the necessity has arisen for the assumption of added and unusual responsibilities. It is fair to say, however, that in this present emergency the task of actual preparedness for war and of creating the country's new military and naval equipment has fallen chiefly upon the shoulders of the durable and heavy goods industries, most branches of which were least prepared as the result of recent lean business years. As industrialists in the heavy goods classification, we recognize our responsibilities, and the officers of your Company and its Directors are determined that Baldwin in all its divisions and subsidiaries shall make such contributions to the program of national defense as lie within its power, and to this end are offering their full and complete cooperation.

While the number of steam locomotives for which we received orders in 1940 was far below the requirement of our shops for a satisfactory and economical line production, nevertheless as the year advanced and as heavier traffic and the need for railroad preparedness became more evident, orders for steam motive power began to be forthcoming. At the end of the year we had orders on our books for 59 new steam locomotives (44 domestic and 15 for export) and we look forward to more from time to time during the new year.

Important advances have been made in the design and distribution of our new Diesel-electric switching locomotives. Twenty-six of these locomotives were shipped to customers, with orders taken somewhat in excess of that figure. The invoice value of all Diesel-electric switchers shipped during the twelve months was approximately \$1,900,000. Plans are well under way for the construction of a Diesel-electric passenger and freight locomotive.

During the year the physical equipment of the various divisions of the Company has been considerably improved. In this short

report it is not possible to provide detailed information but it may nevertheless be noted that at the plant of Standard Steel Works Division highly efficient automatic furnaces and quenching devices were installed for improved heat treating of wheels, tires and other forgings. At the Eddystone works progress was made in the direction of coordinating and consolidating operations of manufacture heretofore too widely scattered, and a considerable number of much needed new machine tools were purchased for various shops. In the boiler and plate shop an entire bay was converted into an electric and gas welding and cutting department, furnished with the latest and most up-to-date equipment for these purposes, and in the brass and iron foundries important improvements were made in sand handling machinery and in the cupola furnaces. It may also be said that proper attention has been given to general plant upkeep and maintenance in all divisions of the Company.

The dispensary mentioned in last year's report was completed on April 1st, and has fully justified the Management's hope as to its usefulness. Between the date of its opening and the end of the year (nine months) 20,109 calls were answered for medical and surgical service; 1,145 treatments were given in the Dental Clinic (opened June 1st); and 246 X-ray pictures were taken. A trained and qualified staff is in charge of all these activities under the supervision of our Medical Director who is a physician and surgeon.

During the year the Company consummated a plan of group insurance for its employees at Eddystone which offers Life, Non-Occupational Accidental Death and Dismemberment, and Non-Occupational Sickness and Accident Insurance. This insurance became effective early in August, more than 80 percent of all employees having signified their desire to take advantage of it. Group insurance has for some time been in effect at the plant of the Standard Steel Works Division at Burnham, Pa., as well as at The Midvale Company.

Relations between the Management of the Company and its employees have been cordial and satisfactory throughout the year, though the problem of training and supervision has been sub-

stantially increased because of a very considerable addition to the working forces. On December 31, 1940, the number of men in the workshops of the consolidated Baldwin Group was 10,690, which compared with 7,397 on the same date in 1939, but 85% of this increase was made after July 1st.

All members of the Company's senior and junior executive staff have conspicuously contributed in a wholehearted endeavor to assist in the fulfillment of Baldwin's obligations in the national emergency.

During 1940 the total compensation for all employees in the Baldwin organization including subsidiaries, amounted to \$19,179,687; purchases of materials and supplies amounted to \$26,579,086; and provision for taxes amounted to \$5,309,717, including social security taxes, \$723,506 and Federal and Pennsylvania income taxes, \$3,896,437.

All of the assets, liabilities and operating activities of Standard Steel Works Company, an wholly owned subsidiary, were transferred to the parent Company on June 1, 1940, and this business has since been conducted as the Standard Steel Works Division of The Baldwin Locomotive Works. Similarly, the selling of iron and nonferrous castings is now conducted in the name of Cramp Brass and Iron Foundries Division of The Baldwin Locomotive Works.

The name of De La Vergne Engine Company, an wholly owned sales subsidiary, was changed on May 18, 1940 to Baldwin De La Vergne Sales Corporation, in order to identify it more closely with the Baldwin Group.

On May 31, 1940, the parent Company purchased the minority holdings (8.05%) of the capital stock of The Whitcomb Locomotive Company, thus making that company an wholly owned subsidiary.

In December the Company's wholly owned subsidiary, Baldwin-Southwark Corporation (in process of liquidation since January 1, 1940) sold a portion of its unused Philadelphia property to the Cramp Shipbuilding Company. No other sales of Philadelphia property were made during the year, but several additional

leases were consummated under satisfactory terms permitting re-possession in the event of an opportunity for future sale. Rentals continue to largely offset ordinary carrying charges of the Company's unused Philadelphia property.

The consolidated results of operation for the years 1940 and 1939 are summarized as follows:

| | <u>1940</u> | <u>1939</u> |
|---|--------------|--------------|
| Consolidated sales (including Midvale)..... | \$51,102,729 | \$31,463,045 |
| of which sales of locomotive products were \$14,565,851 in 1940 and \$11,363,200 in 1939. | | |
| Profit before provision for income and other taxes, depreciation, interest, and minority equity..... | \$10,809,184 | \$5,992,344 |
| Taxes (income and other)..... | 5,309,717 | 2,407,680 |
| Depreciation..... | 1,849,002 | 1,849,214 |
| Interest..... | 461,807 | 538,237 |
| Minority equity..... | 1,244,586 | 655,187 |
| Net profit for the year..... | \$1,944,072 | \$542,026 |
| after including Baldwin's share of earnings of The Midvale Company which in 1940 was \$1,984,750 and in 1939 was \$1,047,942. | | |

After deducting preferred stock dividends in the amount of \$142,679, the remainder of the net profit for the year, \$1,801,393, was equivalent to \$1.75 per share on the outstanding common stock.

The provision for income and other taxes equaled \$3.58 per share of Baldwin common stock, after excluding the portion of such taxes corresponding to the minority equity in The Midvale Company.

Unfilled orders (including Midvale) at the beginning and end of the year 1940, without intercompany eliminations, were as follows:

| | <u>January 1st</u> | <u>December 31st</u> |
|--|---------------------|----------------------|
| For new locomotives..... | \$4,641,373 | \$10,268,269 |
| For other products (including locomotive parts)..... | 39,574,426 | 142,958,215 |
| | <u>\$44,215,799</u> | <u>\$153,226,484</u> |

Inventories increased from \$11,280,939 at January 1st to \$17,497,039 at the end of the year. About 58% of the closing in-

ventories is represented by work in process on customers' sales orders. During the last half of the year inventories were checked by count or weight wherever possible and in all other cases by careful physical inspection and estimate. In the opinion of the Company's officers, inventories are conservatively valued through provision of reserves considered adequate for obsolescence or other deficiency.

Consolidated net current assets at the beginning and end of the year 1940 were as follows:

| | <u>January 1st</u> | <u>December 31st</u> |
|---|---------------------|----------------------|
| Parent Company and subsidiaries other than The Midvale Com- pany..... | \$6,016,858 | \$8,116,497 |
| The Midvale Company*..... | 7,194,466 | 9,008,796 |
| Consolidated total..... | <u>\$13,211,324</u> | <u>\$17,125,293</u> |

* Exclusive of Baldwin voting trust certificates and warrants owned by Midvale, which it carries as marketable securities in current assets, but which are shown under investments in the consolidated total assets.

The Midvale Company paid dividends during the year amounting to \$1,797,875, of which \$1,106,100 was received by the parent Company.

The balance of the Company's First Mortgage Five Percent Sinking Fund Gold Bonds, outstanding in the amount of \$2,295,000, were paid upon maturity, May 1, 1940.

There are submitted herewith:

Consolidated Balance Sheet at December 31, 1940, showing separately the assets and liabilities of The Midvale Company, and of the parent Company and its subsidiaries other than The Midvale Company.

Consolidated Statements of Profit and Loss, Surplus and General Reserve for the year 1940.

Auditors' Report.

A copy of the annual report of The Midvale Company for the year 1940 is being mailed with this report for further information as to the affairs of that Company.

This report is submitted on behalf of the Board of Directors.

CHARLES E. BRINLEY,
President.

February 11th, 1941.

THE BALDWIN LO

CONSOLIDATED BALANCE

| ASSETS | Consolidated Total | Including Subsidiaries other than Midvale | The Midvale Company |
|--|------------------------|--|---------------------------|
| Property, Plant and Equipment..... | \$66,110,839.70 | \$53,021,817.98 | \$13,089,021.72 |
| Less Reserve for Depreciation..... | 28,730,563.75 | 22,159,469.29 | 6,571,094.46 |
| | <u>\$37,380,275.95</u> | <u>\$30,862,348.69</u> | <u>\$6,517,927.26</u> |
| Investments: | | | |
| General Steel Castings Corporation Common Stock (at cost less reserve, \$5,002,949.00)..... | \$1.00 | \$1.00 | — |
| The Baldwin Locomotive Works Voting Trust Cer- tificates and Warrants at cost (value at market quotations, December 31, 1940, \$131,300.00)..... | 128,479.69 | — | — |
| The Midvale Company stock at cost less capital dis- tribution..... | — | 926,879.38 | — |
| Other Investments (less reserve, \$83,000.00)..... | 52,002.00 | 52,002.00 | — |
| | <u>\$180,482.69</u> | <u>\$978,882.38</u> | |
| Notes and Other Credit Instruments and Accounts Re- ceivable not realizable within one year (including past due foreign items, \$1,449,050.93, and less reserve, \$1,473,509.00)..... | \$165,765.30 | \$163,141.17 | \$2,624.13 |
| Special Production Facilities..... | <u>\$721,148.90</u> | — | <u>\$721,148.90</u> |
| Current Assets: | | | |
| Cash on Deposit and on Hand..... | \$7,109,057.27 | \$1,776,096.18 | \$5,332,961.09 |
| Cash Advanced on Sales Contract, deposited in special bank accounts (see contra)..... | 5,685,000.00 | 5,685,000.00 | — |
| Sundry Securities (less reserve, \$395,000.00. Value at market quotations, December 31, 1940, \$222,955.93) | 215,001.71 | 61,789.21 | 281,692.19 |
| Notes and Other Credit Instruments and Accounts Receivable due in 1940 (less reserve, \$75,586.80).. | 6,307,775.05 | 3,403,411.04 | 2,933,531.15 |
| Inventories of Raw Materials, Supplies, Work in Pro- cess and Finished Products (less reserve, \$638,397.97) | 17,497,038.92 | 10,238,949.58 | 7,258,089.34 |
| | <u>\$36,813,872.95</u> | <u>\$21,165,246.01</u> | <u>\$15,806,273.77</u> |
| Deferred Charges..... | \$87,443.81 | \$50,135.30 | \$37,308.51 |
| | <u>\$75,348,989.60</u> | <u>\$53,219,753.55</u> | <u>\$23,085,282.57</u> |

See balance sheet notes on page 12.

COMOTIVE WORKS

SHEET, DECEMBER 31, 1940

| LIABILITIES | Consolidated Total | Including Subsidiaries other than Midvale | The Midvale Company |
|---|------------------------|--|---------------------------|
| Refunding Mortgage Bonds: | | | |
| 6% Convertible Series due 1950..... | \$6,467,900.00 | \$6,467,900.00 | — |
| Current Liabilities: | | | |
| Bank Loan Payable..... | \$2,600,000.00 | \$2,600,000.00 | — |
| Notes and Accounts Payable..... | 3,460,005.54 | 2,637,915.80 | \$851,256.88 |
| Advances Received on Sales Contracts (including \$5,685,000 deposited in special bank accounts, per contra)..... | 7,909,057.65 | 6,467,031.34 | 1,442,026.31 |
| Accrued Accounts: | | | |
| Payroll, Contingent Compensation, Commissions, etc. | 1,253,094.43 | 645,258.41 | 607,836.02 |
| Federal and Pennsylvania Income Taxes..... | 3,712,025.83 | 225,180.97 | 3,486,844.86 |
| Other Taxes..... | 615,435.59 | 334,401.41 | 281,034.18 |
| Interest..... | 138,960.81 | 138,960.81 | — |
| | <u>\$19,688,579.85</u> | <u>\$13,048,748.74</u> | <u>\$6,668,998.25</u> |
| General Mortgage Bonds: | | | |
| 4% Series due 1947, deposited as collateral for bank loan shown above..... | \$6,000,000 | | |
| Reserved to reimburse Company for pay- ment of First Mortgage Bonds matured May 1, 1940..... | 2,295,000 | | |
| | <u>\$8,295,000</u> | | |
| General Reserve..... | \$1,917,452.32 | \$100,912.93 | \$1,816,539.39 |
| Miscellaneous Reserves and Deferred Credits..... | 669,950.54 | 373,494.49 | 296,456.05 |
| | <u>\$2,587,402.86</u> | <u>\$474,407.42</u> | <u>\$2,112,995.44</u> |
| Equity of Minority Stockholders in the Capital Stock and Surplus of The Midvale Company, 38.55%..... | <u>\$5,513,917.86</u> | — | — |
| Capital Stock and Surplus: | | | |
| Preferred Stock, 7% cumulative, \$30 par (liquidating and call value \$40 per share): | | | |
| Authorized and Issued or Issuable, 77,633 shares.... | \$2,328,990.00 | \$2,328,990.00 | — |
| Common Stock, \$13 par: | | | |
| Authorized, 3,000,000 shares | | | |
| Issued or Issuable, 1,028,722 shares..... | 13,373,386.00 | 13,373,386.00 | — |
| (Reserved for conversion of Refunding Mortgage Bonds, 6% Convertible Series due 1950, 420,413 shares, and for exercise of Warrants, 620,407 shares) | | | |
| Common Stock of The Midvale Company..... | — | — | \$10,574,621.02 |
| | <u>\$15,702,376.00</u> | <u>\$15,702,376.00</u> | <u>\$10,574,621.02</u> |
| Deduct Treasury Common Stock (254 shares)..... | 3,302.00 | 3,302.00 | — |
| | <u>\$15,699,074.00</u> | <u>\$15,699,074.00</u> | <u>\$10,574,621.02</u> |
| Surplus as per annexed statement, page 14: | | | |
| Capital Surplus..... | 23,164,200.16 | 16,429,450.82 | — |
| Earned Surplus..... | 2,227,914.87 | 1,100,172.57 | 3,728,667.86 |
| | <u>\$41,091,189.03</u> | <u>\$33,228,697.39</u> | <u>\$14,303,288.88</u> |
| | <u>\$75,348,989.60</u> | <u>\$53,219,753.55</u> | <u>\$23,085,282.57</u> |

See balance sheet notes on page 12.

BALANCE SHEET NOTES

Property, Plant and Equipment includes \$242,250.00 represented by equipment purchased under conditional sales agreements, payable in semiannual installments to March 15, 1942. Title to such equipment is held by the seller until the full purchase price is paid.

The Baldwin Locomotive Works voting trust certificates representing \$13 par value common stock, and warrants, owned by The Midvale Company, shown under Investments in the consolidated total assets, are included in Sundry Securities of The Midvale Company.

Special Production Facilities consist of charges segregated from current work in process inventory of The Midvale Company, representing the unabsorbed balance of direct cost incurred on certain sales orders in furnishing production facilities specifically for their performance. These charges have been stated apart from current assets because a portion thereof, the amount of which is not determinable at this time, will not be realized in the ordinary course through charge to cost of shipments within one year.

Sundry Securities include \$82,000 par value of U. S. Treasury 1 $\frac{3}{8}$ % notes and \$15,000 par value of U. S. Treasury 2 $\frac{1}{2}$ % bonds at cost of \$98,184.39, deposited to secure the payment in accordance with the Workmen's Compensation Law of Pennsylvania, of compensation on account of accidents.

Inventories of raw materials and bulk supplies are priced at the lower of cost or market. Miscellaneous supplies, work in process and finished products are priced at cost or less, about 70% being covered by sales orders at prices in excess of inventory value, the remainder being valued conservatively in the opinion of the management by the provision of reserves considered adequate for obsolescence or other deficiency.

There were contingent liabilities on December 31, 1940, amounting to \$761,466.14, with respect to notes receivable discounted and assignment of conditional sales agreements.

The balance sheet of The Midvale Company carries the following note with reference to its current liabilities and general reserve: Reports of Federal income taxes and refunds to the Government under the Vinson-Trammell Act for 1937 and prior years have been examined and adjusted by the U. S. Treasury Department, and settlement has been made on the basis of such adjustment. Pennsylvania income taxes for 1937 and prior years have been correspondingly adjusted. The audit of the amounts reported and paid for 1938 and 1939 has not been completed. Due provision has been made in the current liabilities for the estimated income taxes payable for the year 1940. The general reserve is considered adequate for contingencies in general, including any liability which may arise for income taxes in excess of the amount provided in current liabilities, or for adjustment of refunds under the provisions of the Vinson-Trammell Act.

On December 31, 1940, the shares of preferred and common stocks issuable but not yet issued, consisted of:

339 shares of Preferred Stock, 7% Cumulative, \$30 Par Value, held for payment of interest coupons matured on or before September 1, 1940, on Refunding Mortgage Bonds or for exchange for interest coupons on previously outstanding Consolidated Mortgage Bonds;

5,004 shares of Common Stock, \$13 Par Value, held for exchange for 1,668 shares of previously outstanding preferred stock; and

5,349 shares of Common Stock, \$13 Par Value, held for exchange for 53,490 shares of previously outstanding common stock.

THE BALDWIN LOCOMOTIVE WORKS

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED DECEMBER 31, 1940

| | | |
|---|-----------------|-----------------------|
| Sales..... | | \$51,102,729.26 |
| Less: | | |
| Cost of Sales, including Selling, Administrative and General Expenses..... | \$41,397,857.52 | |
| Provision for Depreciation..... | 1,849,001.83 | |
| | | <u>43,246,859.35</u> |
| Operating Profit..... | | \$7,855,869.91 |
| Other Income: | | |
| Dividends..... | \$36,523.00 | |
| Interest and Discount..... | 117,275.69 | |
| Miscellaneous (including non-recurring income, \$144,181.98)..... | 195,977.42 | |
| | | <u>349,776.11</u> |
| Operating Profit and Other Income..... | | \$8,205,646.02 |
| Other Expenses: | | |
| Interest..... | \$461,806.85 | |
| Contingent Compensation dependent upon profits (including The Midvale Company, \$375,000.00)..< | 586,936.83 | |
| Miscellaneous..... | 71,806.35 | |
| Provision for Federal and Pennsylvania Income Taxes (including Second Revenue Act of 1940 excess profits tax, \$1,748,200)..... | 3,896,437.23 | |
| | | <u>5,016,987.26</u> |
| Profit for the Year..... | | \$3,188,658.76 |
| Equity of Minority Stockholders in net profit of: | | |
| The Midvale Company..... | \$1,242,986.98 | |
| The Whitcomb Locomotive Company (until May 31st) | 1,598.91 | |
| | | <u>1,244,585.89</u> |
| Net Profit Accrued to The Baldwin Locomotive Works Consolidated.. | | <u>\$1,944,072.87</u> |

THE BALDWIN LOCOMOTIVE WORKS

CONSOLIDATED STATEMENT OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1940

| | Consolidated Total | Including Subsidiaries other than Midvale | The Midvale Company |
|--|------------------------|--|---------------------------|
| Capital Surplus: | | | |
| Balance, January 1, 1940..... | \$23,118,244.85 | \$16,383,495.51 | — |
| Miscellaneous increases..... | 45,955.31 | 45,955.31 | — |
| Balance, December 31, 1940..... | <u>\$23,164,200.16</u> | <u>\$16,429,450.82</u> | — |
| Earned Surplus: | | | |
| Balance, January 1, 1940..... | \$426,521.25* | \$177,429.44* | \$2,298,805.39 |
| Net Profit for 1940..... | 1,944,072.87 | 1,065,422.38 | 3,227,737.47 |
| | <u>\$2,370,594.12</u> | <u>\$1,242,851.82</u> | <u>\$5,526,542.86</u> |
| Less: | | | |
| Dividends Paid by: | | | |
| The Baldwin Locomotive Works on pre- | | | |
| ferred stock..... | 142,679.25 | 142,679.25 | — |
| The Midvale Company..... | — | — | 1,797,875.00 |
| Balance, December 31, 1940..... | <u>\$2,227,914.87</u> | <u>\$1,100,172.57</u> | <u>\$3,728,667.86</u> |
| Total Surplus, December 31, 1940..... | \$25,392,115.03 | \$17,529,623.39 | \$3,728,667.86 |

* Earned surplus since 1938.

CONSOLIDATED STATEMENT OF GENERAL RESERVE FOR THE YEAR ENDED DECEMBER 31, 1940

| | Consolidated Total | Including Subsidiaries other than Midvale | The Midvale Company |
|---|-----------------------|--|---------------------------|
| Balance, January 1, 1940..... | \$1,171,235.34 | \$5,820.61 | \$1,165,414.73 |
| Add: | | | |
| Provision for contingencies through charge to 1940 operations..... | 175,000.00 | — | 175,000.00 |
| Transfer of over-accrual at December 31, 1939, of current liabilities for refunds and taxes and reserve for guarantees..... | 596,216.98 | 95,092.32 | 501,124.66 |
| | <u>\$1,942,452.32</u> | <u>\$100,912.93</u> | <u>\$1,841,539.39</u> |
| Deduct: | | | |
| Transfer to reserve for marketable securities..... | 25,000.00 | — | 25,000.00 |
| Balance, December 31, 1940..... | <u>\$1,917,452.32</u> | <u>\$100,912.93</u> | <u>\$1,816,539.39</u> |

TO THE STOCKHOLDERS,
THE BALDWIN LOCOMOTIVE WORKS:

We have examined the consolidated balance sheet of The Baldwin Locomotive Works and its subsidiary companies as at December 31, 1940, and the consolidated statements of profit and loss, surplus and general reserve for the year then ended, have reviewed the systems of internal control and the accounting procedures of the Companies, except The Midvale Company, and without making a detailed audit of the transactions, have examined or tested accounting records and other supporting evidence of the Companies examined by us, by methods and to the extent we deemed appropriate.

The accounts of The Midvale Company were examined by Messrs. Arthur Young & Company, a copy of whose report we received.

In our opinion, based upon such examination and upon the report of the aforementioned accountants, the accompanying consolidated balance sheet and the related consolidated statements of profit and loss, surplus and general reserve present fairly the consolidated positions of the Companies at December 31, 1940, and the consolidated results of their operations for the year 1940, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

LYBRAND, ROSS BROS. & MONTGOMERY

PHILADELPHIA, PENNA.

February 5, 1941.

THE BALDWIN LOCOMOTIVE WORKS

BUILDERS OF
LOCOMOTIVES
STEAM ELECTRIC DIESEL
STEAM BOILERS
WELDED TANKS AND PLATE FABRICATION

O. V. KRUSE - GENERAL SALES MANAGER

STEWART McNAUGHTON - SPECIAL REPRESENTATIVE

CHARLES A. CAMPBELL - SALES MANAGER, LOCOMOTIVE DIVISION

GUNTHER H. FROEBEL - SALES MANAGER, GENERAL PRODUCTS DIVISION

JOS. G. BROZ - SALES MANAGER, DIESEL ENGINE DIVISION

DISTRICT SALES MANAGERS, UNITED STATES

PHILADELPHIA, PA.

SOUTHEASTERN DISTRICT L. W. METZGER

Paschall P. O.

CENTRAL DISTRICT ARTHUR S. GOBLE

Paschall P. O.

CHICAGO, ILL.

CHARLES RIDDELL

627 Railway Exchange

NEW YORK, N. Y.

JOSEPH F. HOERNER

120 Broadway

PORTLAND, ORE.

ARTHUR J. BEUTER

605 American Bank Bldg.

ST. LOUIS, MO.

A. B. MCCOY

1010 Pine Street

SAN FRANCISCO, CAL.

LATHAM McMULLIN

2910 Russ Building

FOREIGN SALES REPRESENTATIVES AND AGENTS

CLYDE G. PINNEY - FOREIGN SALES MANAGER

RALPH T. MAYNARD

Technical Representative and Sales
Engineer for South America.

JOSEPH A. GOOD

Technical Representative and Sales
Engineer for Hawaiian Islands.

| | | |
|---------------------------|---|---------------------------|
| AFRICA (SOUTH)..... | E. M. F. BUILDINGS, JOHANNESBURG..... | Edmunds Bros. (Pty.) Ltd. |
| ARGENTINA AND PARAGUAY... | PASEO COLÓN 285 BUENOS AIRES, ARGENTINA..... | Fiore-Co. |
| AUSTRALIA..... | 31 REIBY PLACE, SYDNEY, NEW SOUTH WALES.. | R. Towns & Co. Pty. Ltd. |
| | 470 FLINDERS STREET, MELBOURNE, C. I., VICTORIA... | Newell & Co. Pty. Ltd. |

FOREIGN REPRESENTATIVES AND AGENTS—(Continued)

| | | |
|--|---|--|
| BRAZIL..... | RUA MAYRINK VEIGA No. 6, RIO DE JANEIRO..... | Norton, Megaw & Co., Ltd. |
| CHILE AND BOLIVIA..... | CASILLA 86-D, SANTIAGO, VALPARAISO, CHILE.... | Wessel, Duval & Cia., S. A. C. |
| CHINA..... | 21, 43 YUEN MING YUEN ROAD, SHANGHAI..... | Andersen, Meyer & Co., Ltd. |
| COLOMBIA..... | APARTADO POSTAL No. 1589, BOGOTA..... | Tomas Lopez |
| CUBA AND JAMAICA..... | APARTADO 109, HAVANA APARTADO 43, SAGUA LA GRANDE, CUBA.... | Macfarlane Foundry & Honolulu Iron Works, S/A |
| ECUADOR..... | CASILLA DE CORREOS 297, QUITO..... | Andino & Gonzalez |
| GREAT BRITAIN AND EUROPEAN CONTINENT..... | 26, VICTORIA STREET, WESTMINSTER, (Excluding Russia and Scandl- navia)..... | LONDON, S. W. 1.....Davis & Lloyd |
| HAWAIIAN ISLANDS..... | P. O. Box 3470, HONOLULU.... | C. Brewer & Co., Ltd. |
| INDIA, BURMA AND CEYLON... | 5 DALHOUSIE SQUARE, CALCUTTA..... | L. Brooke Edwards |
| JAPAN..... | YAESU, BLDG., ROOM 525, MARUNOUCHI, TOKYO..... | Frazar & Co., Ltd. |
| MEXICO..... | APARTADO 106 Bis. MEXICO, D. F..... | Paul G. Cheatham, Technical Representative |
| NEWFOUNDLAND..... | 154 DUCKWORTH STREET, ST. JOHNS..... | Harold A. Walsh & Co. |
| NEW ZEALAND..... | P. O. Box 366, WELLINGTON..... | Philips & Pike, Ltd. |
| PERU..... | APARTADO 146, LIMA..... | Pedro Martinto |
| PHILIPPINES..... | MANILA..... | Pacific Commercial Co., Inc. |
| PUERTO RICO AND DOMINICAN REPUBLIC..... | BANCO POPULAR DE PUERTO RICO, SAN JUAN, P. R..... | Compañía Carrión, Inc. |
| RUSSIA..... | | Adolph Hochbaum |

DIVISIONS AND SUBSIDIARIES

STANDARD STEEL WORKS DIVISION

FRANK K. METZGER
General Manager

STEEL FORGINGS

STEEL CASTINGS

STEEL TIRES

WROUGHT STEEL WHEELS

STEEL SPRINGS

PLANT

BURNHAM, MIFFLIN COUNTY
PENNSYLVANIA

BALDWIN SOUTHWARK DIVISION

FREDERICK G. SCHRANZ
General Manager

WATER POWER TURBINES

HYDRAULIC PRESS MACHINERY

TESTING MACHINES

SPECIAL MACHINERY

POWER TOOLS

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

CRAMP BRASS AND IRON FOUNDRIES DIVISION

NORRIS H. SCHWENK
General Manager

IRON, BRASS AND BRONZE CASTINGS

PARSONS' WHITE BRASS AND BABBITT METAL INGOTS

PLANT AT BALDWIN

EDDYSTONE, PENNSYLVANIA

THE WHITCOMB LOCOMOTIVE COMPANY

Incorporated under the Laws of the State of Delaware

OFFICERS

CHARLES E. BRINLEY
WILLIAM H. WINTERROWD
CHARLES E. ACKER

President
Vice-President
Secretary and Treasurer

INTERNAL COMBUSTION LOCOMOTIVES

FOR

INDUSTRIAL AND RAILWAY SERVICES

PLANT

ROCHELLE, ILLINOIS

THE PELTON WATER WHEEL COMPANY

Incorporated under the Laws of the State of California

OFFICERS

CHARLES E. BRINLEY
WILLIAM H. HARMAN
EVERETT M. BREED
W. HORACE HOLCOMB
CHARLES E. ACKER

Chairman of the Board
Vice-Chairman of the Board
President
Vice-President and General Manager
Secretary and Treasurer

WATER POWER TURBINES

HYDRAULIC VALVES

MISCELLANEOUS MACHINERY FOR IRRIGATION AND
PUBLIC UTILITY PROJECTS

PLANT

SAN FRANCISCO, CALIFORNIA

BALDWIN DE LA VERGNE SALES CORP.

Incorporated under the Laws of the State of New York

OFFICERS

CHARLES E. BRINLEY
WILLIAM H. HARMAN
CHARLES E. ACKER

President
Vice-President
Secretary and Treasurer

DIESEL ENGINES

THE MIDVALE COMPANY

Incorporated under the Laws of the State of Delaware

DIRECTORS

| | |
|-----------------------|--------------------|
| ARNOLD BERNHARD | New York City |
| FRANCIS BRADLEY | Philadelphia |
| CHARLES E. BRINLEY | Chestnut Hill, Pa. |
| HARRY L. FREVERT | Philadelphia |
| STUART HAZLEWOOD | Philadelphia |
| EDWARD HOPKINSON, JR. | Chestnut Hill, Pa. |
| CONRAD N. LAUER | Penllyn, Pa. |
| JAMES M. MILLIKEN | Philadelphia |
| CHARLES H. SCHLACKS | Bryn Mawr, Pa. |
| ROBERT C. SHIELDS | Detroit |
| JOSEPH WAYNE, JR. | Philadelphia |

OFFICERS

| | |
|--------------------|-----------------------------------|
| CHARLES E. BRINLEY | Chairman of the Board |
| HARRY L. FREVERT | President |
| FRANCIS BRADLEY | Vice-President |
| STUART HAZLEWOOD | Vice-President in Charge of Sales |
| CHARLES E. ACKER | Secretary |
| JAMES M. MILLIKEN | Treasurer and Assistant Secretary |

HEAVY FORGINGS OF CARBON AND ALLOY STEELS
TOOL STEEL, INCLUDING HIGH SPEED STEEL
HARDENED AND GROUND STEEL ROLLS
STEEL TIRES AND WELDLESS RINGS
HIGH ALLOY STEEL CASTINGS
ALLOY STEEL BARS
ARMOR PLATE
ORDNANCE

PLANT

NICETOWN, PHILADELPHIA



DIVERSITY

In addition to its usual advertising in railway and machinery trade journals, the Company conducted during the year a program of institutional advertising designed primarily to stress the diversity of products of the Baldwin group. These advertisements have been reproduced in smaller size and included as a part of this report. Your Company also issues periodically two illustrated magazines, one entitled "BALDWIN LOCOMOTIVES" and one "BALDWIN SOUTHWARK", which are mailed to all domestic and foreign customers, and which we shall be glad to send to interested stockholders upon request.

The name BALDWIN, so long outstanding in the locomotive field, must now also be recognized as an insignia of quality for an extensive and diversified line of machines, tools and instruments which form a part in the equipment of the modern industrial establishment.



ELECTRIC LOCOMOTIVES • DIESEL-ELECTRIC LOCOMOTIVES • STEAM LOCOMOTIVES
 DIESEL-ELECTRIC SWITCHERS • HYDRAULIC PRESSES • POWER TOOLS
 TESTING MACHINES • HYDRAULIC DIESEL ENGINES
 HYDRAULIC TURBINES • SHIPS PROPELLERS • BIRMINGHAM METAL
 BRONZE AND BRASS CASTINGS AND FORGINGS • DIESEL ENGINE CASTING
 STEEL TIRES • WELDLESS STEEL RINGS • STEEL SPRINGS
 STEEL CASTING • FORGING • ROLLED STEEL • BOILERS



A NEW SYMBOL
Looms on the
 INDUSTRIAL HORIZON

• New in character yet embracing names historically associated with this country since the very beginning of its amazing industrial growth.

For generations the name of Baldwin has been identified with Locomotives—

and still is. But with the new order of things comes *The Baldwin Group*, a compact, versatile organization, with unsurpassed facilities for the design and manufacture of a widely diversified line of ferrous and non-ferrous castings, forgings, diesel engines, presses, hydraulic machinery, and instruments—that equip and power modern industry—that assist in research and engineering construction.

THE BALDWIN GROUP

P H I L A D E L P H I A



THE BALDWIN LOCOMOTIVE WORKS • BALDWIN SOUTHWARK DIVISION
 STANDARD STEEL WORKS DIVISION • THE PELTON WATER WHEEL COMPANY
 BALDWIN DE LA VERGNE SALES CORP. • THE WHITCOMB LOCOMOTIVE COMPANY
 THE MIDVALE COMPANY • CRAMP BRASS AND IRON FOUNDRIES DIVISION



DAY IN- DAY OUT

● Day in and day out—with yearly service records representing average availability as high as 94 percent—diesel-electric locomotives are helping the railroads reduce the cost of switching and transfer service.

Fewer locomotives to do the work, lower fuel costs, increased power at switching speeds—are some of the benefits derived from the use of diesel power.

The Baldwin Locomotive Works—with 108 years' experience in meeting the requirements of the railroads—offers a standard line of diesel-electric switching locomotives powered by De La Vergne, 4-cycle diesel engines.

The Baldwin policy of building locomotives for stock insures prompt deliveries to meet the needs of the railroads.

THE BALDWIN GROUP

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5,500 TONS
FORMING METAL THAT FLIES

● Almost human in its operation despite its massive proportions, this huge 5,500-ton capacity Southwark Hydraulic Press is an outstanding engineering achievement. Designed and built by Southwark especially for forming duralumin aircraft parts, its ease and economy of operation make it a profitable production machine.

Whether you need specially engineered equip-

ment, or highly developed, heavy-duty standard machines such as Southwark builds in many types, it will pay you to secure Southwark's recommendations.

With 104 years' experience in the manufacture of industrial machinery, with unsurpassed shop facilities, Southwark is in a unique position to meet your requirements for all types of hydraulic and special machinery—large and small.

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DOWN TO THE SEA *in Ships*



• Great ships of the American Merchant Marine such as the *America*, *Manhattan* and *Washington* are equipped with propellers of Parsons' Manganese Bronze manufactured by Cramp Brass and Iron Foundries Division of The Baldwin Locomotive Works.

On land as well as sea, Cramp is identified with the best in foundry products. Cramp castings of brass, bronze, gray iron and non-ferrous alloys are used extensively by the metal working and process industries.

Cramp contributes to the diversity of The Baldwin Group a highly specialized line of products backed by more than 110 years of foundry experience.

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Modern Power



● The modern steam locomotive is one of the most substantial revenue producers in the entire railroad plant.

The economy of modern steam power is being demonstrated in both freight and passenger service on many railroads. On one road such power has shown yearly savings equivalent to 50 percent on the investment. In another case the return was 38 percent.

Improved materials, advanced engineering

and modern construction methods are meeting the demand for greater hauling capacity, higher speeds and economy in operation.

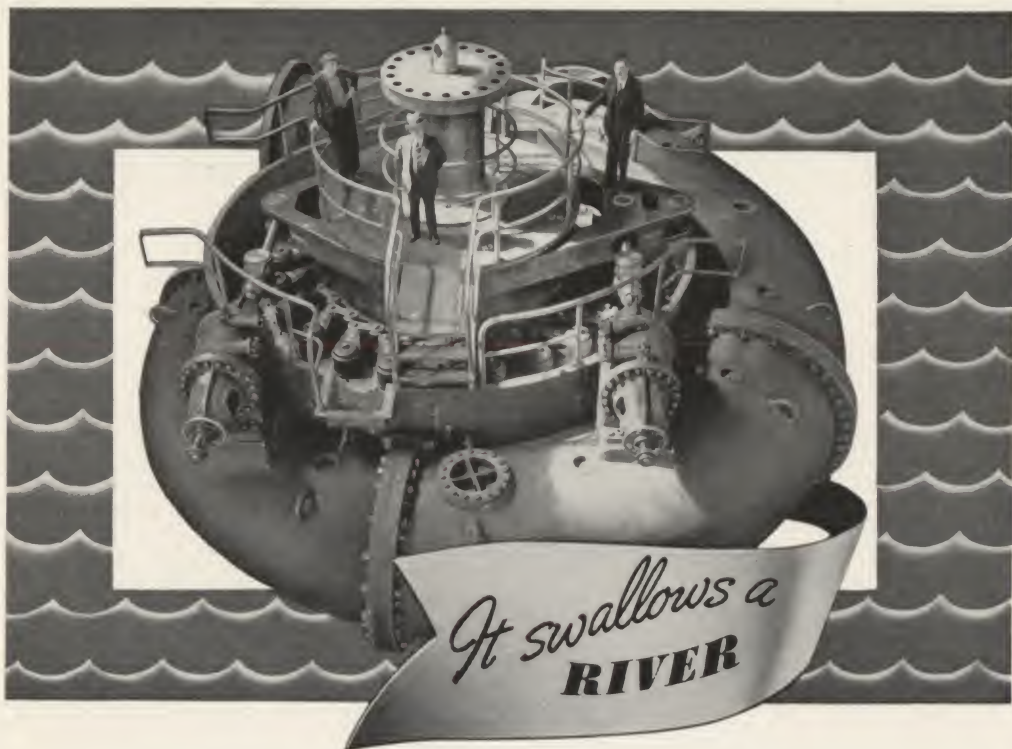
The Baldwin Locomotive Works, founded in 1831 when railroads were in their infancy, has kept pace with the requirements of modern rail transportation. Today, Baldwin stands ready to serve the railroads with the best and most advanced motive power of all types — steam, diesel or electric.

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● Through huge turbines like this flow the waters of the Colorado River at Boulder Dam. Each capable of generating 115,000 hp, these hydraulic turbines are the most powerful now in operation in the world.

I. P. Morris, 112-year-old division of Baldwin Southwark, has built two of these units which are now in operation at Boulder — is building two more. Since 1895 when the first I. P. Morris turbines were installed at

Niagara Falls, units totalling 5 million horsepower have been built by I. P. Morris for hydroelectric plants throughout the world, ranging from 200 hp to 115,000 hp and designed to operate with heads from 8-ft to 800-ft.

The gigantic size of this turbine as compared with the delicate testing instruments which Baldwin Southwark also makes is a graphic illustration of the versatility of The Baldwin Group.

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*Accurate
Knowledge
paces Progress*

Modern industry buys and sells on physical test data—data which makes possible the accurate knowledge of materials and their characteristics so necessary for the maintenance of high standards of quality and the development of new and improved products.

Baldwin Southwark builds a complete line of

physical testing machines and instruments for static, dynamic and impact tests; for strain measuring and stress-strain recording.

Southwark-Emery hydraulic testing machines are versatile, applicable not only for laboratory specimens, but for production testing of manufactured parts or complete structures, in both the metal working and process industries.

Because of their accuracy, sensitivity, and simplicity of operation, Southwark-Emery testing machines have gained wide acceptance throughout the great industries and educational institutions of America.

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CONTROL

● The control which Standard Steel Works exercises over its products extends back to the selection of materials for charging the furnaces, and carries on through every step in manufacture. Close control means high quality in the finished product.

Standard traces its origin to the Freedom Forge established in 1795 and has been associated with Baldwin for sixty-five years. Today,

Standard is equipped to supply—in addition to wheels, tires, springs, forgings and castings—high grade machine parts at any desired stage of production.

Standard maintains a complete organization fully staffed with engineers and metallurgists to study your problem, fully equipped for the manufacture of a highly diversified line of castings, forgings and rolled steel products.

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LOW COST POWER



● From educational institutions in New England to pipe line stations in the Southwest; from dredges in the Gulf to cold storage houses in Washington; from the metropolis of New York to the grass root plains of the West — De La Vergne diesel engines have paid their way. Engineered and installed to meet individual requirements, De La Vergne engines have a right to their claim of outstanding economy in

operation and maintenance the country over.

De La Vergne built the *first* commercially successful oil engine in this country in 1893—developed the *first* solid injection diesel in 1917.

De La Vergne engines of today incorporate the cumulative experience of 47 years of research and development in oil engines—engines which have proven themselves eminently successful in a wide variety of applications.

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THE MIDVALE COMPANY • CRAMP BRASS AND IRON FOUNDRIES DIVISION

efficient and economical



● For more than one hundred years the railroads have been, and still are, the vital link in our national transportation system.

Great tonnage trains will continue to carry the bulk of the grain, building material, coal and heavy machinery needed to keep industry going, to assure adequate national defense and to meet the everyday needs of our people.

Modern steam power makes possible the

increased speed and increased hauling capacity which enable the railroads to handle this traffic efficiently and with maximum economy.

The greater the percentage of modern locomotives used in a given service, the greater will be the savings in operating expenses.

THE BALDWIN GROUP

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THE MIDVALE COMPANY • CRAMP BRASS AND IRON FOUNDRIES DIVISION

A PROFITABLE INVESTMENT



Switching cars in terminals and yards accounts for a large part of the time consumed in handling freight. It also accounts for about 50% of the total cost of such shipments.

In a busy railroad yard Diesel-Electric locomotives, as compared with steam switchers, will effect a reduction in the average time required

to handle cars. The ability of the Diesel-Electric to stay on the job from 90% to 95% of the time, further reduces the number of locomotives required to do the work.

Results—better service for the shipper and a worthwhile saving in overall cost to the railroad.

Baldwin Diesel-Electric switching locomotives—with De La Vergne 4-cycle Diesel engines and Westinghouse electrical transmission—are manufactured for stock in 660-hp and 1000-hp capacities.

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THE aircraft industry depends on high speed hydraulic presses to feed a steady supply of parts to the assembly floor. Southwark Hyspeed Presses maintain high production rates and prolong the life of the dies. The time required for changing dies and setting-up has been sharply reduced. Delays caused by breakage of dies and press members are gone. Pressed pieces hold their shape—spring-back is out.

In the last two years 38 Southwark presses with

a total capacity of 39,900 tons have taken their places on aircraft production lines.

Southwark builds a complete line of modern hydraulic presses for every phase of metal forming. Soundly engineered, carefully built, Southwark Hydraulic Presses can help you do a better job—more economically.

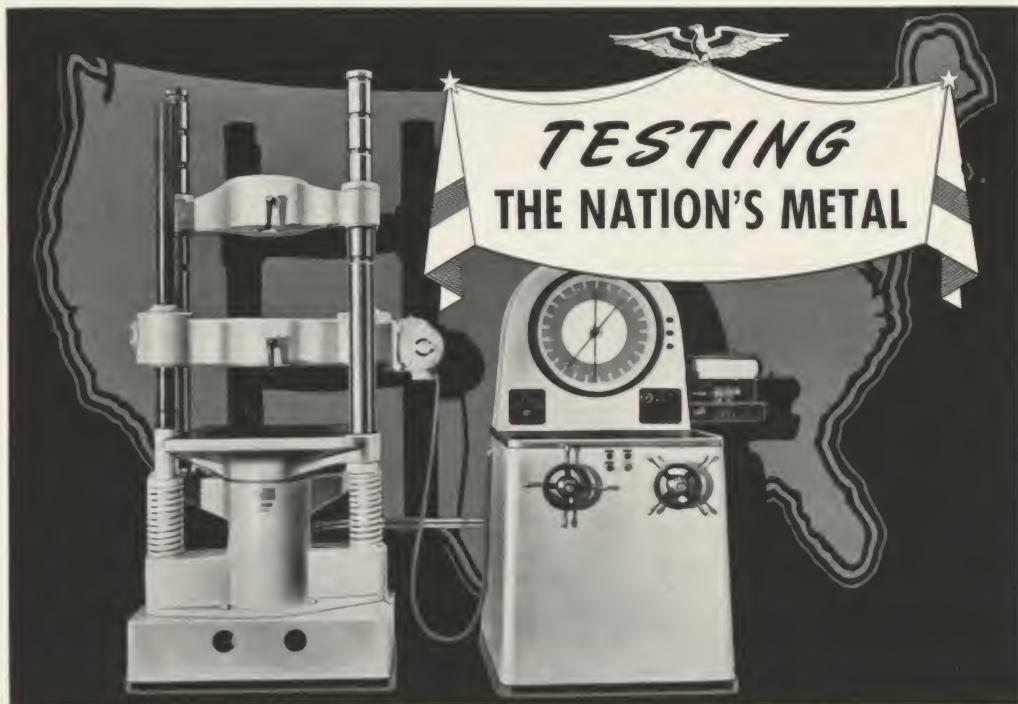
Baldwin Southwark Division of The Baldwin Locomotive Works, Philadelphia; Pacific Coast Representative, The Pelton Water Wheel Company, San Francisco.

THE BALDWIN GROUP

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THE MIDVALE COMPANY • CRAMP BRASS AND IRON FOUNDRIES DIVISION



● In building for defense, there must be no sacrifice of quality for speed. America must not only have the most, but also the best that its industries can produce.

The physical properties of materials must be known by both producer and fabricator alike—specifications must be met, there can be no compromise.

Already in widespread use throughout the country, Southwark-Tate-Emery testing machines are simple to operate, versatile in application, and offer unsurpassed sensitivity and accuracy.

The grand average accuracy of the last 100 installed in the field is 99.8% of true load over the entire range—from zero to maximum.

Products of research, Southwark-Tate-Emery testing machines represent the most recent and most important development in physical testing equipment.

Baldwin Southwark Division, The Baldwin Locomotive Works, Philadelphia; Pacific Coast Representative, The Pelton Water Wheel Co., San Francisco

THE BALDWIN GROUP

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